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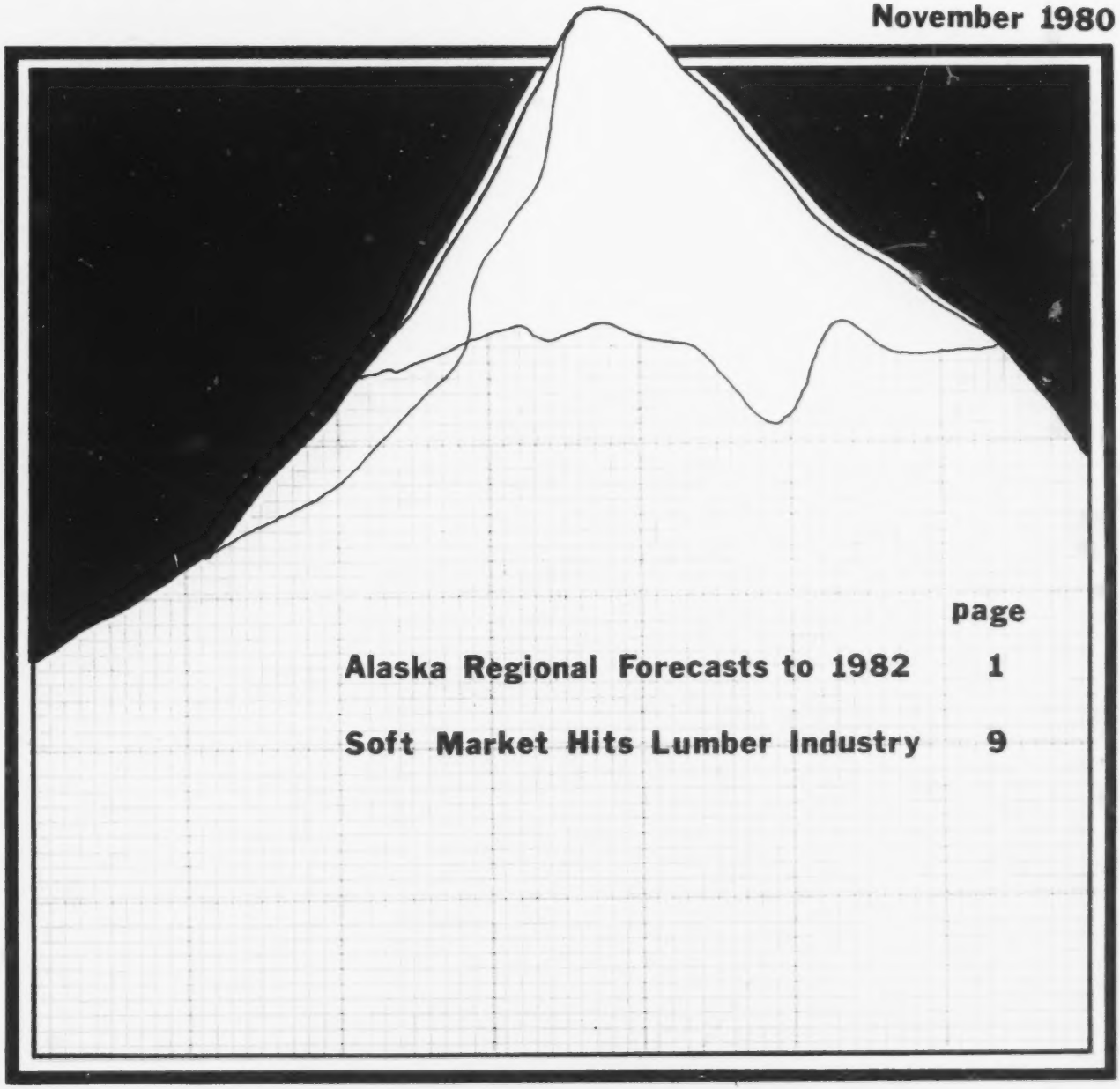
ALASKA ECONOMIC TRENDS

November 1980



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STATE OF ALASKA · DEPARTMENT OF LABOR
RESEARCH AND ANALYSIS SECTION
JAY S. HAMMOND, GOVERNOR

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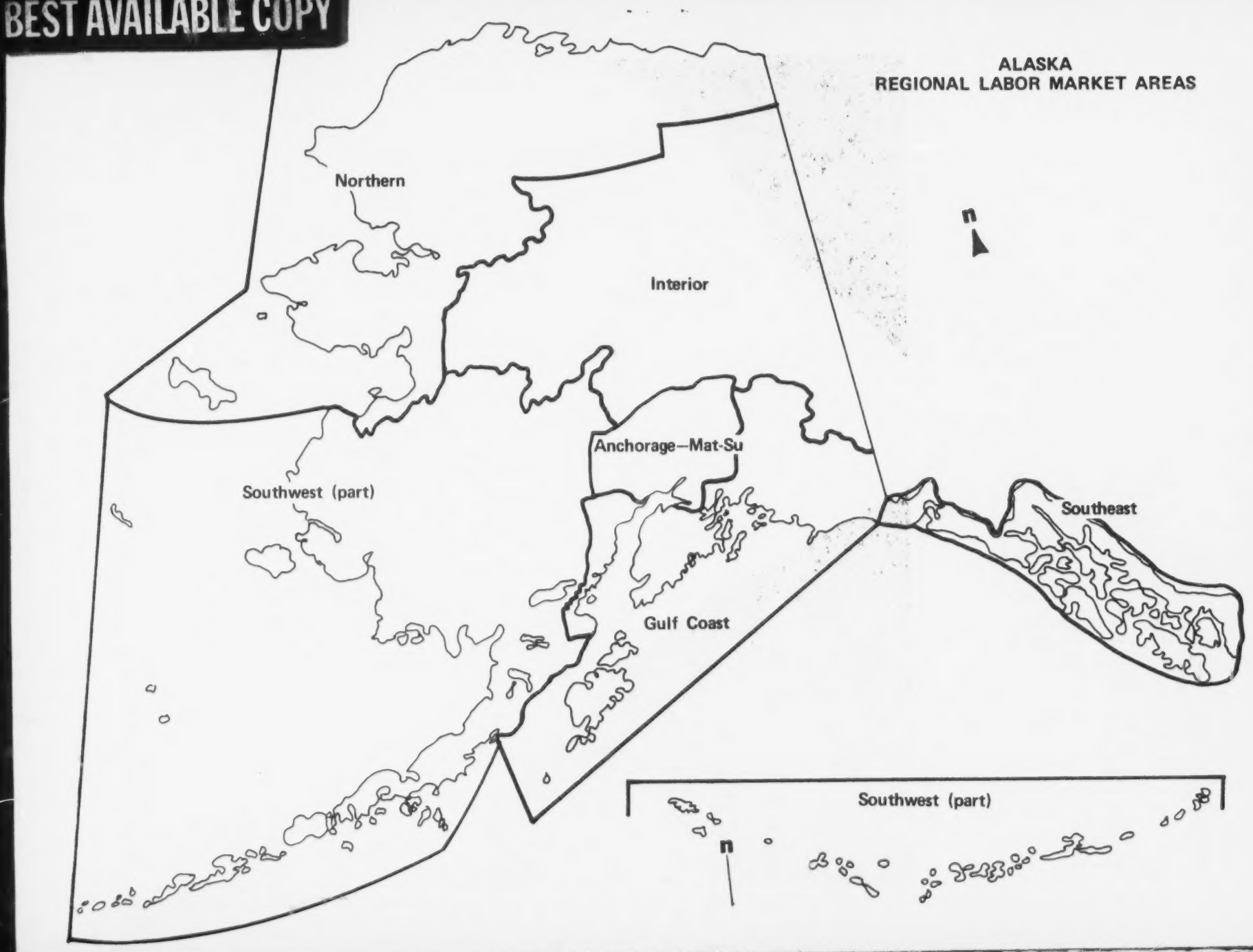

ALASKA ECONOMIC TRENDS

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Department of Labor

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Research and Analysis

November 1980

Chris Miller, Editor

ALASKA'S REGIONAL ECONOMIES: 1980 TO 1982
by David M. Reaume, Consulting Economist

Growth in Alaska's regional economies over the next two years will be fostered by a combination of (1) traditional sources of economic stimulus such as rising real government spending, and tourist growth; (2) a recovery in the seafood harvesting and processing industry from the surplus conditions of 1980; (3) increased timbering by the Southeast Alaska Native Corporation; (4) greater mineral exploration and extraction premised on a D2 settlement by early 1981 and several planned oil and gas lease sales; and (5) expanded exploration in the Beaufort Sea and the Prudhoe Bay uplands.

More fundamentally, the characteristics of future economic growth in Alaska are a function of the size and management of state oil revenue; the country's growing awareness of the military, political, and economic implications of continued dependence on unfriendly or unstable countries for strategic minerals; and the increasing popularity of Alaska as a tourist destination.

Looking ahead, say five to ten years, one can say with considerable assuredness that another Alaska economic surge is in the cards.

Precisely when and where in Alaska the pressures for growth will first be felt is a much more difficult question to answer. The forecast presented here is held with far more confidence when the numbers are added up to produce State totals, than as actually presented (on a region-by-region basis). Nevertheless, we believe that these regional employment forecasts are reasonable and do provide an intelligent appraisal of the near term outlook around the State.

For those who may be interested, it is worth noting that this forecast is consistent with the Statewide forecast published in the November 1980 QUARTERLY REPORT OF THE ALASKA ECONOMIC INFORMATION AND REPORTING SYSTEM, now distributed by the Office of the Governor.

The principal assumptions behind the two year projections offered here are:

GOVERNMENT SPENDING - Real (inflation adjusted) State and local government spending increases 2.6 percent in 1980, 6.8 percent in 1981 and 4.3 percent in 1982 (calendar years).

TOURISM - The number of tourists visiting Alaska is assumed to grow by 9.0 percent each year.

TIMBER HARVEST - The current soft market for wood products will be short in duration. An annual cut of 450 million boardfeet per year on federal lands is assumed to be augmented by an additional cut of 50 million boardfeet on Native lands in 1981, and 100 million boardfeet in 1982. The Native timber is assumed to be exported as round logs.

HARD ROCK MINERALS - An Alaska lands settlement (D-2) by early 1981, coupled with continued high prices for key minerals known to occur in Alaska, is assumed to trigger an exploration boom, initially in areas with favorable legal access and transportation.

OIL AND GAS - A combination of State of Alaska and federal lease sales, on the one hand, and an annual average 4.0 percent real (over the rate of consumer price inflation) increase in uncontrolled crude oil and natural gas wellhead prices, is projected to lead to an increase in exploratory activity on the North Slope, in Cook Inlet (1981, 1982), the Gulf of Alaska near Yakutat (1982), and Norton Sound (1982).

TAX REPEAL/PERMANENT FUND DIVIDENDS - Tax repeal and the issuance of Permanent Fund Dividends add approximately 1,500 support sector jobs by the end of 1982.

None of the large construction projects frequently discussed in the press are assumed to get beyond the site preparation stage before 1983. (Alaska Oil Company formerly named Alpetco, Northwest gas pipeline, Pacific Alaska LNG, gas liquid petrochemicals).

ANCHORAGE-MATSU REGION

Anchorage is Alaska's financial and administrative center, and a principal transportation node. Economic change in almost any part of Alaska feeds back into the Anchorage economy. Matanuska-Susitna, in some contrast, is a residential, semi-rural agricultural area with its principal population centers lying along the Anchorage-Fairbanks highway.

Between 1975 and 1979, nonagricultural employment in the Anchorage-Matsu region grew at an average annual rate of 3.0 percent per year. Despite an anticipated employment decline of almost 1.0 percent in 1980, the 1979-1982 annual rate of regional job growth should nearly match the 3.0 percent average posted in the 1975-1979 period. Largely responsible for the forecasted comeback in 1981 and 1982, is the hefty growth in State government spending mentioned above, Permanent Fund Dividends and tax repeal, and diversified stimulus from activity elsewhere in the State. Given the autumn 1979 announcement of the Nilchina Glacier mineral prospect and an early 1981 D-2 settlement, the region can expect to continue to experience a flurry of interest in prospecting, initially by self employed venturers, and later by the larger mining companies. An important feature of the Anchorage-Matsu

ALASKA
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT
ANCHORAGE - MATSU REGION

	History	Forecast		
	1979	1980	1981	1982
TOTAL	80,580	80,045	83,999	87,162
Mining	1,992	2,032	2,313	2,534
Construction	5,919	5,519	6,200	6,370
Manufacturing	1,775	1,813	1,894	1,992
Trans.-Comm. & Utilities	8,351	8,752	9,255	9,640
Trade	17,786	17,537	18,438	19,177
Finance-Insurance & Real Estate	5,022	4,716	4,982	5,315
Services & Miscellaneous	16,376	16,475	16,934	17,657
Government	23,359	23,201	23,983	24,477

NOTES 1/ Forecast period is 1980 to 1982.

2/ Data are on an ES-202 basis. Hence they are not comparable to the BLS-790 sample survey data found elsewhere in this publication.

longer term outlook which is not captured in a comparison of the two year forecasts offered here, is the region's relatively stable, relatively diversified economic base. While at times Anchorage-Matsu may grow slower than other parts of Alaska, it can also expect to experience somewhat less severe downturns.

In the short term the greatest risk facing the Anchorage economy is the proposed centralization of State government in Willow. While a capital move would greatly increase the job base in the Matanuska Valley, it could well mean a loss of several thousand State government jobs to Anchorage proper.

GULF COAST REGION

This region is made up of five Census Divisions: Cordova-McCarthy, Kenai-Cook Inlet, Kodiak, Seward, and Valdez-Chitina-Whittier.

The rise and fall of construction activity on the Trans-Alaska oil pipeline and Valdez terminal is largely responsible for the tiny 0.3 percent annual average rate of employment growth experienced over the 1975-1979 period. A somewhat stronger 3.2 percent annual gain is projected here for the 1979-1982 period, despite the absence from this forecast of major work on the Alaska Oil Company project.

ALASKA
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT
GULF COAST REGION

	History	Forecast		
	1979	1980	1981	1982
TOTAL	16,286	16,028	17,090	17,882
Mining	901	886	1,100	1,387
Construction	712	710	913	995
Manufacturing	3,836	3,783	4,020	4,041
Trans.-Comm. & Utilities	1,507	1,509	1,605	1,680
Trade	2,432	2,324	2,443	2,543
Finance-Insurance & Real Estate	410	375	396	440
Services & Miscellaneous	2,351	2,336	2,379	2,481
Government	4,137	4,105	4,234	4,315

NOTES 1/ Forecast period is 1980 to 1982

2/ Data are on an ES-202 basis. Hence they are not comparable to the BLS-790 sample survey data found elsewhere in this publication.

Scheduled site preparation for the Alaska Oil Company refinery, a gain in hardrock activity spurred by the Nelchina announcement, and increased drilling in Cook Inlet produce most of the projected 1979-1982 employment gains. Tax repeal and the issuance of Permanent Fund Dividends add further stimulus.

INTERIOR REGION

The Fairbanks, Southeast Fairbanks, Upper Yukon, and Yukon-Koyukuk Census Divisions make up this region. It was here that both the boom side and the bust side of the TransAlaska oil pipeline project was most heavily felt. In 1979, there were nearly 11,000 fewer nonagricultural jobs in the Interior region. For the 1979-1982 period, however, the projected trend is strongly upward, with an annual average 4.4 percent gain in jobs forecasted here.

State spending increases and surge in hardrock mining lead the way. Major State-funded construction projects on the agenda for Fairbanks alone, include $9.8 million for University of Alaska facilities, $2.5 million for State highways, and $5.0 million for the expansion of the correctional center. All told, the region is projected here to experience over $100 million in new public construction spending in 1981 and 1982.

ALASKA
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT
INTERIOR REGION

	History	Forecast		
	1979	1980	1981	1982
TOTAL	24,704	25,327	26,800	28,123
Mining	144	403	677	1,020
Construction	1,727	1,730	2,098	2,204
Manufacturing	755	755	773	794
Trans.-Comm. & Utilities	3,439	3,539	3,745	3,920
Trade	4,057	4,007	4,227	4,400
Finance-Insurance & Real Estate	859	855	903	1,003
Services & Miscellaneous	4,642	5,057	5,115	5,333
Government	9,081	8,981	9,262	9,449

NOTES 1/ Forecast period is 1980 to 1982.

2/ Data are on an ES-202 basis. Hence they are not comparable to the BLS-790 sample survey data found elsewhere in this publication.

The past year saw a renewal of interest in gold mining as world gold prices hit $600 per ounce and stayed there. Given a D-2 settlement by early 1981 and stable mineral prices, the 1980 "renewal of interest" is forecasted to turn into an organized mineral exploration boom of some duration, paced by the search for gold but by no means limited to it.

After 1982, construction of the Northwest Alaskan gas pipeline can be expected to set the regional economy off on another boom. This time, however, a mid to late decade appearance of a healthy mining industry could do much to soften the inevitable regional post-gas pipeline decline. For this reason alone, the Interior may have the most at stake of all in the present Congressional D-2 debate.

NORTHERN REGION

This region includes the following Census Divisions: Barrow-North Slope, Nome and Kobuk. Oil and gas exploration on the North Slope and in Norton Sound (1982), and mineral exploration on the Seward Peninsula are the basis for expected gains

ALASKA
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT
NORTHERN REGION

	History	Forecast		
	1979	1980	1981	1982
TOTAL	9,120	9,982	11,148	11,488
Mining	2,671	3,211	4,005	4,343
Construction	498	668	802	581
Manufacturing	43	43	65	65
Trans.-Comm. & Utilities	625	660	698	731
Trade	670	690	725	755
Finance-Insurance & Real Estate	264	280	296	329
Services & Miscellaneous	994	1,063	1,085	1,131
Government	3,355	3,367	3,472	3,553

NOTES 1/ Forecast period is 1980 to 1982.

2/ Data are on an ES-202 basis. Hence they are not comparable to the BLS-790 sample survey data found elsewhere in this publication.

in the North until 1983 when the Northwest gas pipeline project is forecasted (here) to enter the construction phase.

A very restrictive D-2 bill could eliminate many hardrock mineral prospects (at Lost River for example). Balancing this negative possibility is the somewhat stronger-than-projected oil exploration effort that would likely follow any major new petroleum finds in the Beaufort Sea or in the Naval Petroleum Reserve (PET-4). No major new finds are implicit in this forecast.

On balance, a highly uncertain 8.0 percent annual average employment gain is forecasted for the 1970-1982 period, although signicantly smaller gains cannot be laid aside as improbable given the strength of the environmentalist opposition to mineral exploration and offshore drilling in the Arctic.

Yet another constraint that may impinge on this forecast is a possible shortage of drilling rigs available for Alaska operations. The provisions for timely drilling which have been written into recent State leases do not preclude a somewhat slower pace of exploration than that projected here.

ALASKA
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT
SOUTHEAST REGION

	History	Forecast		
	1979	1980	1981	1982
TOTAL	25,092	26,042	27,258	28,442
Mining	48	58	206	537
Construction	955	1,155	1,307	1,167
Manufacturing	3,753	4,053	4,179	4,411
Trans.-Comm. & Utilities	2,246	2,396	2,534	2,652
Trade	3,458	3,498	3,678	3,829
Finance-Insurance & Real Estate	1,232	1,242	1,312	1,458
Services & Miscellaneous	3,024	3,184	3,230	3,407
Government	10,376	10,456	10,812	10,981

NOTES 1/ Forecast period is 1980 to 1982.

2/ Data are on an ES-202 basis. Hence they are not comparable to the BLS-790 sample survey data found elsewhere in this publication.

SOUTHEAST REGION

Assuming that the capital is not moved from Juneau to Willow, Southeast can look forward to annual employment growth on the order of 4.0 to 5.0 percent through 1982. For the 1979 to 1982 period, an annual average 4.3 percent employment growth rate is forecasted here; premised on hard rock mineral exploration and development, some gains in the various fisheries, continued growth in tourism, the entry of Alaska Native corporations into the timber industry, the stimulus of Permanent Fund Dividends and tax repeal, and a modest 1.9 percent projected rate of growth in government employment per year.

To put this in perspective, between 1975 and 1979, Southeast employment grew only 2.9 percent per year.

As in Anchorage proper, the greatest downside risk to this forecast is the proposed centralization of State government in Willow. Such a move if not offset by new investment in other industries, could ultimately reduce Juneau employment and population by 60.0 percent or more from 1980 levels.

SOUTHWEST REGION

The Census Divisions making up this region are: The Aleutian Islands, Bethel, Bristol

ALASKA
NONAGRICULTURAL WAGE & SALARY EMPLOYMENT
SOUTHWEST REGION

	History	Forecast		
	1979	1980	1981	1982
TOTAL	10,624	10,676	11,224	11,502
Mining	3	3	24	43
Construction	263	363	436	382
Manufacturing	2,586	2,511	2,727	2,808
Trans.-Comm. & Utilities	524	574	610	639
Trade	863	838	881	917
Finance-Insurance & Real Estate	246	228	241	268
Services & Miscellaneous	1,913	1,933	1,948	1,990
Government	4,226	4,226	4,357	4,455

NOTES 1/ Forecast period is 1980 to 1982.

2/ Data are on an ES-202 basis. Hence they are not comparable to the BLS-790 sample survey data found elsewhere in this publication.

Bay, Bristol Bay Borough, Kuskokwim, and Wade Hampton. The region's nonsubsistence economic base is fishing, fish processing, and government.

Between 1975 and 1979 increased salmon and crab catches provided the stimulus for an 11.4 percent annual average gain in overall employment. Further gains of this magnitude are not likely unless bottomfish processing takes hold faster than forecasted here. As a result, only a 2.7 percent rate of employment growth is projected for the 1979-1982 period. In essence, the forecast given here presents a fleshing out of the area's support sector in response to earlier basic sector growth. A case in point is the expansion of the Dutch Harbor airport and port facilities.

RELATIVE REGIONAL "MULTIPLIERS"

A multiplier is the ratio of the total change in some magnitude, say jobs, to the change in that magnitude (or some other magnitude) which is presumed to have produced the total change. If an additional 100 mining jobs lead to a total job increase (including the 100 mining jobs) of 180 over a ten quarter period of time, we say that the ten quarter job-job multiplier is 180/100 or 1.8. Multipliers vary with the size and status of the economy, the length of time over which they are calculated, the type and strength of initial change, and the actual economic model used in their calculation.

Generally speaking, the job-job multiplier is an indication of the number of times a newly spent dollar changes hands within the economy in question. To the extent a regional economy's exports to other regions are sensitive to changes in those other regions, spending on imports need not lower regional multipliers. The extra dollars spent on imports may return in the form of export sales.

The volume and value of the bulk of the exports from Alaska (oil, fertilizer, seafood products, timber products) are impervious to any income gains Alaska imports may induce in our trading partners. Essentially the same statement can be made with respect to trading between Alaska regions. For example, the Anchorage economy grows when it "sells" more transportation, middleman, or administrative services to other regional Alaska economies. However, the virtual one way flow of trade from Anchorage to other parts of the State assures that virtually none of Anchorage's trading gains will, in turn, induce gains elsewhere.

Largely for this reason, Alaska job-job multipliers are low relative to those estimated for other parts of the United States. To gain a rough approximate understanding of the job-job multipliers applicable to Alaska regional economies, we have made a thumbnail calculation of those embodied in the forecasts offered here.

On average for the years 1981 and 1982, the ratio of total job gains to "basic sector" job gains (where the basic sector is defined here inexactly to include mining, construction, manufacturing and government) for the six Alaska regions are: Anchorage-Matsu 2.7, Gulf 1.5, Interior 1.8, North 1.4, Southeast 1.8 and Southwest 1.6.

Simulations of the Alaska statewide model have consistently produced estimates of the statewide job-job multiplier which lie between 1.5 and 1.8. The apparent (and likely) overestimates of the corresponding regional multipliers given above is primarily due to (a) failure to exclude from total job gains those support sector gains in 1981 and 1982 that stem from pre-1981 sources of stimulus, and (b) inappropriate attribution of tourism induced gains in trade and services to gains in the basic sector as defined above. Further inflating the Anchorage ratio is failure to leave out support sector changes induced by growth elsewhere in the state.

A rough adjustment for these shortcomings can be made. Assuming that the "true" Anchorage job-job multiplier associated with some representative initial stimulus is twenty percent higher than the upper limit of 1.8 estimated for the State as a whole, and scaling down all other regional

multipliers proportional to Anchorage, yields the following estimated regional job-job multipliers.

Anchorage-Matsu	2.2
Gulf	1.2
Interior	1.4
North	1.1
Southeast	1.4
Southwest	1.3

These give a very inexact idea of the total two year gain in jobs that might be expected in each region given basic sector job gains paying average wages. These multipliers are offered here solely for the purpose of balancing some of the bolder estimates which have, on occasion, been put forth. While useful as rough rules-of-thumb, they in no way constitute a basis for project evaluation or government planning. Specific cases should be dealt with on their own terms.

ALASKA'S LABORFORCE IN SEPTEMBER
by Chris Miller

September marks the end of the summer season and the transition to winter operations in Alaska's economy. September usually has the lowest unemployment rate of the year, and this year is no exception with a decline in unemployment of 7.8 percent in August to 7.7 percent in September.

Though there was no significant increase in employment in the mining industry in September, activity should begin to pick up in the coming months. With the recent approval of the Beaufort Sea oil lease sale, several companies are preparing to explore this area. Also in an attempt to maximize the output of the Prudhoe Bay oil field, a massive salt water injection system will be in the initial stages of development this year.

Activity in the housing industry picked up during September. Housing contractors in the northern and central parts of the state took on extra help in an effort to finish or enclose their projects before the arrival of cold winter weather. On the other hand, activity in the heavy construction sector remained unchanged at a level about 10 percent over last year.

The most significant changes in employment during the month occurred in the manufacturing industry. As the summer salmon season drew to a close approximately 6,000 employees were laid off from the seafood processing industry. This seasonal layoff was expected and many of the workers will either return to their homes in other states or go back to school. This year's catch has set records in terms of volume, however due to the soft market for seafood profits were not that exceptional.

Activity in one of Alaska's major logging areas around Ketchikan and Prince of Wales Island came to an abrupt halt during September due to development of a soft market for wood products. Many logging companies in that area had shut down by September 15th. Normally, logging operations continue until snowfall prevents further operation. The poor market affected all wood products including round logs which were thought to be in high demand. This situation however did not affect logging companies supplying wood to the Japanese owned mills in Sitka, Wrangell, and Petersburg.

Employment levels in the rest of the economy appear to be following approximately normal seasonal patterns. With the end of the summer tourist season several sectors of the economy reported declines in employment. Employment in air transportation, hotels, and other personal service related industries had declines in employment reflecting the end of the tourist season.

Though total government employment remained relatively stable from August to September, both federal and state government employment declined as agencies laid off summer help. Growth in local government was due primarily to the beginning of the school year.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/ 3/
BY PLACE OF WORK
ALASKA

	P/ 9/80	R/ 3/80	CHANGES FROM: 9/79	3/80	9/79
NONAGRICULTURAL WAGE & SALARY	175900	184600	177800	-8700	-1900
MINING.....	6800	6800	5700	0	1100
CONSTRUCTION.....	12700	12500	13200	200	-500
MANUFACTURING.....	13600	20500	15300	-6900	-1700
FOOD & KINDRED PRODUCTS.....	7600	13600	8700	-6000	-1100
LUMBER & PAPER PRODUCTS.....	3300	4100	4000	-800	-700
ALL OTHER MANUFACTURING.....	2700	2800	2600	-100	100
TRANS. COMM. & UTILITIES.....	17900	17900	18100	0	-200
TRUCKING & WAREHOUSING.....	2400	2400	2200	0	200
WATER TRANSPORTATION.....	1400	1400	1500	0	-100
AIR TRANSPORTATION.....	5300	5400	5600	-100	-300
OTHER TRANS. COMM. & UTILITIES	8800	8700	8800	100	0
TRADE.....	30100	30400	30500	-300	-400
WHOLESALE TRADE.....	5800	6000	5800	-200	0
RETAIL TRADE.....	24300	24400	24700	-100	-400
GEN. MERCHANDISE & APPAREL	4100	4200	4200	-100	-100
FOOD STORES.....	3800	3800	3800	0	0
EATING & DRINKING PLACES....	8300	8200	8600	100	-300
OTHER RETAIL TRADE.....	8100	8200	8100	-100	0
FINANCE-INSURANCE & REAL ESTATE.	8500	8500	8600	0	-100
SERVICES & MISCELLANEOUS.....	31600	33400	30900	-1800	700
TOTAL GOVERNMENT.....	54700	54600	55500	100	-800
FEDERAL GOVERNMENT.....	17700	18100	18700	-400	-1000
STATE GOVERNMENT.....	14900	15100	14900	-200	0
LOCAL GOVERNMENT.....	22100	21400	21900	700	200

1/ PREPARED IN COOPERATION WITH THE U.S. BUREAU OF LABOR STATISTICS.

2/ INCLUDES TEACHERS IN PRIMARY AND SECONDARY SCHOOLS, AND PERSONNEL EMPLOYED BY THE UNIVERSITY OF ALASKA.

3/ BENCHMARK DATE MARCH 1979.

P/ DENOTES PRELIMINARY ESTIMATES.

R/ DENOTES REVISED ESTIMATES.

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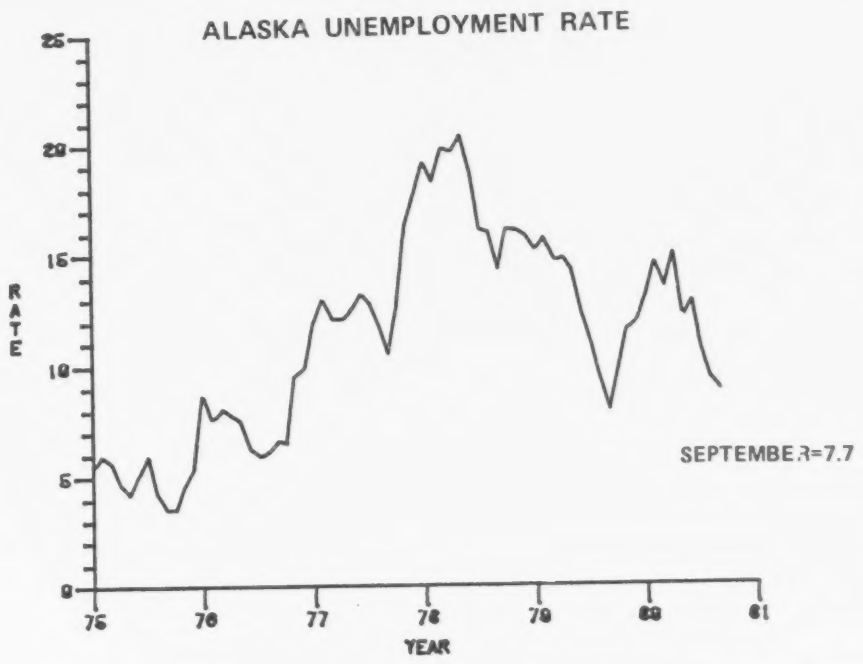
ALASKA UNEMPLOYMENT RATE
25
20
15
10
5
0
RATE
SEPTEMBER=7.7
75
76
77
78
79
80
81
YEAR

ALASKA NONAG. EMPLOYMENT INDEX
1972=100
160
150
140
130
120
INDEX
SEPTEMBER=159.4
74
75
76
77
78
79
80
81
YEAR

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/ 3/
BY PLACE OF WORK
ANCHORAGE

	P/ 9/80	R/ 3/80	9/79	CHANGES FROM: 3/80	9/79
NONAGRICULTURAL WAGE & SALARY.....	80000	30750	79600	-750	400
MINING.....	2200	2300	1950	-100	250
CONSTRUCTION.....	7250	5700	7350	550	-100
MANUFACTURING.....	1750	1950	1900	-200	-150
FOOD & KINDRED PRODUCTS.....	450	650	450	-200	0
OTHER MANUFACTURING.....	1300	1300	1450	0	-150
TRANS. COMM. & UTILITIES.....	8500	3750	8450	-250	50
TRUCKING & WAREHOUSING.....	1100	1150	1200	-50	-100
WATER TRANSPORTATION.....	300	300	400	0	-100
AIR TRANSPORTATION.....	3400	3550	3200	-150	200
OTHER TRANS. COMM.& UTILITIES.	3700	3750	3650	-50	50
TRADE.....	17400	17400	17250	0	150
WHOLESALE TRADE.....	4150	4150	4050	0	100
RETAIL TRADE.....	13250	13250	13200	0	50
GENERAL MERCHANDISE	1850	1900	1650	-50	200
FOOD STORES.....	1850	1850	1650	0	200
EATING & DRINKING PLACES....	4650	4550	4850	100	-200
OTHER RETAIL TRADE.....	4900	4950	5050	-50	-150
FINANCE-INSURANCE & REAL ESTATE.	5100	5150	5150	-50	-50
SERVICES & MISCELLANEOUS.....	16250	16450	15800	-200	450
GOVERNMENT 2/.....	21550	22050	21750	-500	-200
FEDERAL.....	8950	9350	9450	-400	-500
STATE.....	5050	4850	4700	200	350
LOCAL.....	7550	7850	7600	-300	-50

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3/ BENCHMARK DATE MARCH 1979.

P/ DENOTES PRELIMINARY ESTIMATES.

R/ DENOTES REVISED ESTIMATES.

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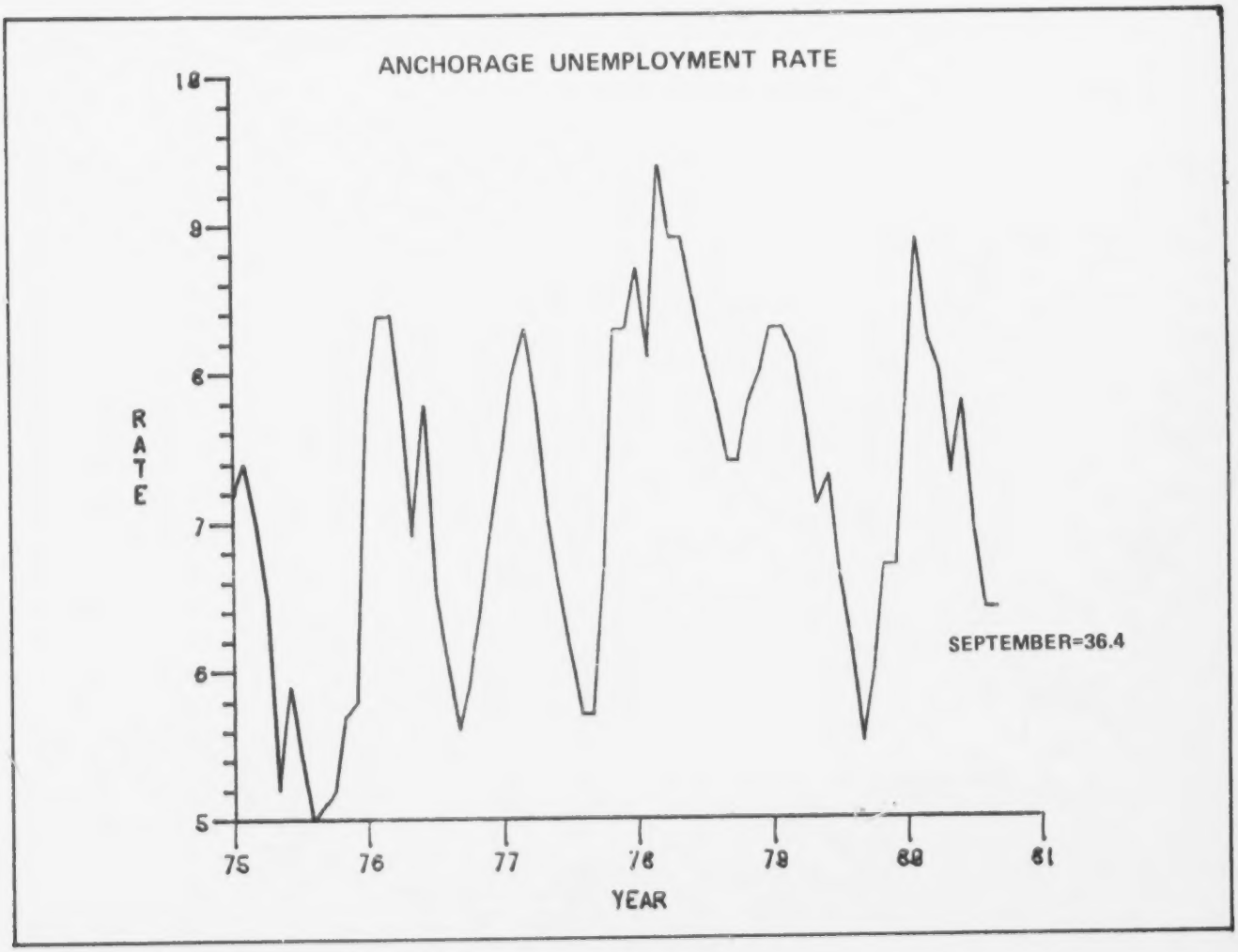
ANCHORAGE'S LABOR FORCE IN SEPTEMBER
by Cal Dauel

Employment passed the summer peak when it declined in September. It often happens that the seasonal peak comes this early, but still it shows a sluggish economy this year. The seasonally adjusted nonag. index reflects this early decline, and registers its lowest point for the year.

Most industries contributed to this early decline. Only construction bucked the trend and produced a monthly increase in employment. The seasonal decline in construction will occur later this year when the weather changes. For now, construction is relatively strong. Home building has rebounded slightly from a dismal year in 1979, particularly since July. There is still some interior finishing taking place at the new Northway Mall as a continuing procession of smaller stores are installed and open for business. A new Pizza Hut is being constructed in the parking lot, and will be open for business in October. The first arctic drilling rig fabricated in the state was completed and held an open house on Labor Day. It has since been disassembled into modules and trucked to the North Slope.

The Department of Labor building is approaching its October 15th completion

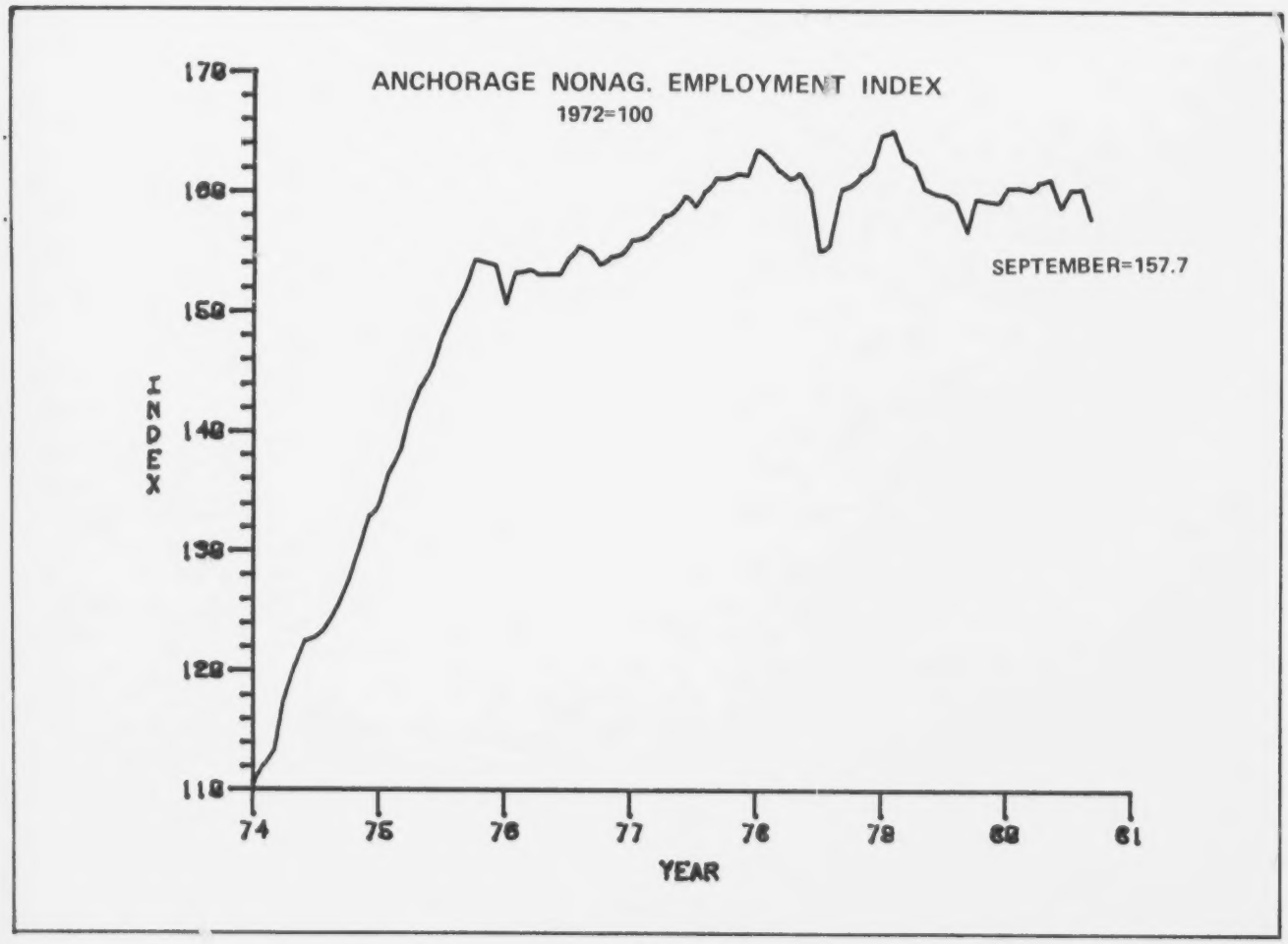


date. The new location is at 3301 Eagle Street, near the intersection of Old Seward Highway and 36th Street. All divisions of the Department except for the Work Incentive (WIN) program will be moved by the first week in November. Job Service, Youth Employment Service and Administrative Services will begin operations at the new location on October 20th. The Anchorage Field Tax Office will be moved by October 27th. The Division of Occupational Safety and Health, the Wage and Hour Division and Worker's Compensation will be moved on the 29th of October. The last unit to move will be Unemployment Insurance. They will be open for business at 3301 Eagle on November 3rd.

A new grocery also made the scene during September. A Fairbanks firm, Market Basket, opened the doors at the old Safeway location in Mountain View. The Market Place moved into the old Pay'n'Save location, essentially filling up the Mountain View Shopping Center. These locations were vacated when Safeway and Pay'n'Save transfered to larger stores in the Northway Mall.

ANCHORAGE MATSU LABOR FORCE IN SEPTEMBER

The unemployment rate in the Anchorage Mat-Su Region eased down to what will surely be the lowest point of the year. The regional rate is currently 7.1 percent. As usual the regional rate is held down by the 6.4 percent in Anchorage while being pulled up by the 14.2 percent in MatSu. The number of unemployed declined slightly in both Anchorage and MatSu, but so did employment. The result is an unemployment rate



NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/ 3/
BY PLACE OF WORK
ANCHORAGE-MATSU

	P/ 9/80	R/ 8/80	9/79	CHANGES FROM: 8/80	9/79
NONAGRICULTURAL WAGE & SALARY.....	83000	83500	82400	-500	600
MINING.....	2200	2350	1950	-150	250
CONSTRUCTION.....	7450	7850	7650	600	-200
MANUFACTURING.....	1850	2000	1950	-150	-100
TRANSP.-COMM. & UTILITIES.....	8800	9000	8800	-200	0
TRADE.....	13100	18150	17800	-50	300
FINANCE-INSURANCE & REAL ESTATE.	5250	5300	5250	-50	0
SERVICES & MISCELLANEOUS.....	16500	16700	16050	-200	450
GOVERNMENT 2/.....	22850	23150	22950	-300	-100

1/ PREPARED IN COOPERATION WITH THE U.S. BUREAU OF LABOR STATISTICS.

2/ INCLUDES TEACHERS IN PRIMARY AND SECONDARY SCHOOLS, AND PERSONNEL EMPLOYED BY THE UNIVERSITY OF ALASKA.

3/ BENCHMARK DATE MARCH 1979.

P/ DENOTES PRELIMINARY ESTIMATES.

R/ DENOTES REVISED ESTIMATES.

that is nearly constant over the month. The rate will begin climbing next month as employment continues to drop while unemployment rises.

The unemployment situation continues to be worse when compared to last year. There are nearly 800 more people in the region unemployed this year. This comes from a combination of increases of the unemployed in both Anchorage and the Valley. This situation will not likely change for the coming winter as seasonal layoffs begin next month. The new higher unemployment insurance benefit amount may also push up the number of U.I. claimants.

Wage and Salary employment in the Valley remained largely stable. An equal number of industries lost and gained employment and the balance stayed at previous month's levels. Trade was the big loser this month, largely due to the end of the summer's recreation activity as Anchorage residents enjoy in the Valley each summer. This seasonal loss was counterbalanced by the gains made by education as teachers and staff returned for a new school year. The wage and salary balance sheet next month will likely show more losses than gains as the winter approaches.

FAIRBANKS' LABOR FORCE IN SEPTEMBER

Fairbanks' unemployment rate nosed down to 8.8 percent in September. This reflects the fact that September is the month when certain shifts in the economy take place before employment begins to decline. These shifts take place nearly every year on

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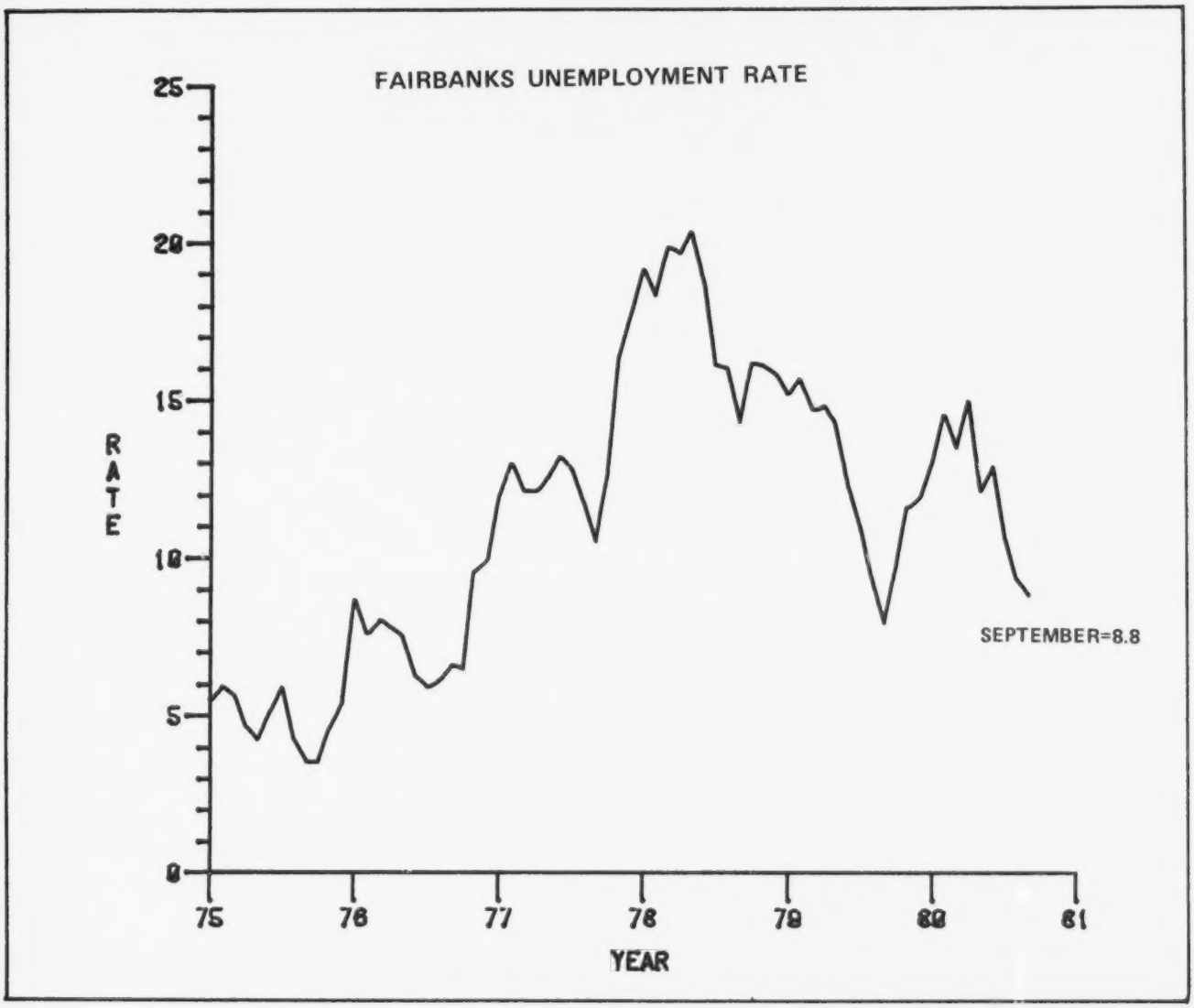

schedule and this year is more predictable than most because of the stability the economy has reached.

Wage and salary employment reached its peak this year at 22100. This is slightly below last year's peak, but the overall average will be very close to last year's levels. To reach this peak, some industries lost employment and others gained making up an overall gain of 2 percent. Construction employment made gains in the highway and building construction areas. The last push was made to finish particular highway projects before winter set in and to close buildings in, making it possible to continue inside work throughout the winter. On the other side, transportation and trade employment dropped off slightly, as the tourist season came to an end, causing a slack in transportation services and eating and drinking establishments. The hotel and motel segment of services also experienced a similiar decline. Tourism appears to have experienced less than a banner year, due to the increase in transportation costs and the recession. The number of border crossings continued to decline slightly this year as gasoline prices continued

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/ 3/
BY PLACE OF WORK
FAIRBANKS

	P/ 9/80	R/ 3/80	9/79	CHANGES FROM: 8/80	9/79
NONAGRICULTURAL WAGE & SALARY.....	22150	21950	22350	200	-200
MINING.....	50	50	50	0	0
CONSTRUCTION.....	2200	2150	2100	50	100
MANUFACTURING.....	600	600	550	0	50
TRANSP.-COMM. & UTILITIES.....	2600	2700	2750	-100	-150
TRUCKING & WAREHOUSING.....	400	450	400	-50	0
AIR TRANSPORTATION.....	600	650	750	-50	-150
OTHER TRANS. COMM.& UTILITIES.	1600	1600	1600	0	0
TRADE.....	3700	3750	3800	-50	-100
WHOLESALE TRADE.....	700	700	700	0	0
RETAIL TRADE.....	3000	3050	3100	-50	-100
GENERAL MERCHANDISE & APPARE	400	400	400	0	0
FOOD STORES.....	550	550	550	0	0
OTHER RETAIL TRADE.....	2050	2100	2150	-50	-100
FINANCE-INSURANCE & REAL ESTATE.	800	750	900	50	-100
SERVICES & MISCELLANEOUS.....	4800	4800	4700	0	100
GOVERNMENT 2/.....	7400	7150	7500	250	-100
FEDERAL.....	2100	2150	2250	-50	-150
STATE.....	3150	3100	3100	50	50
LOCAL.....	2150	1900	2150	250	0

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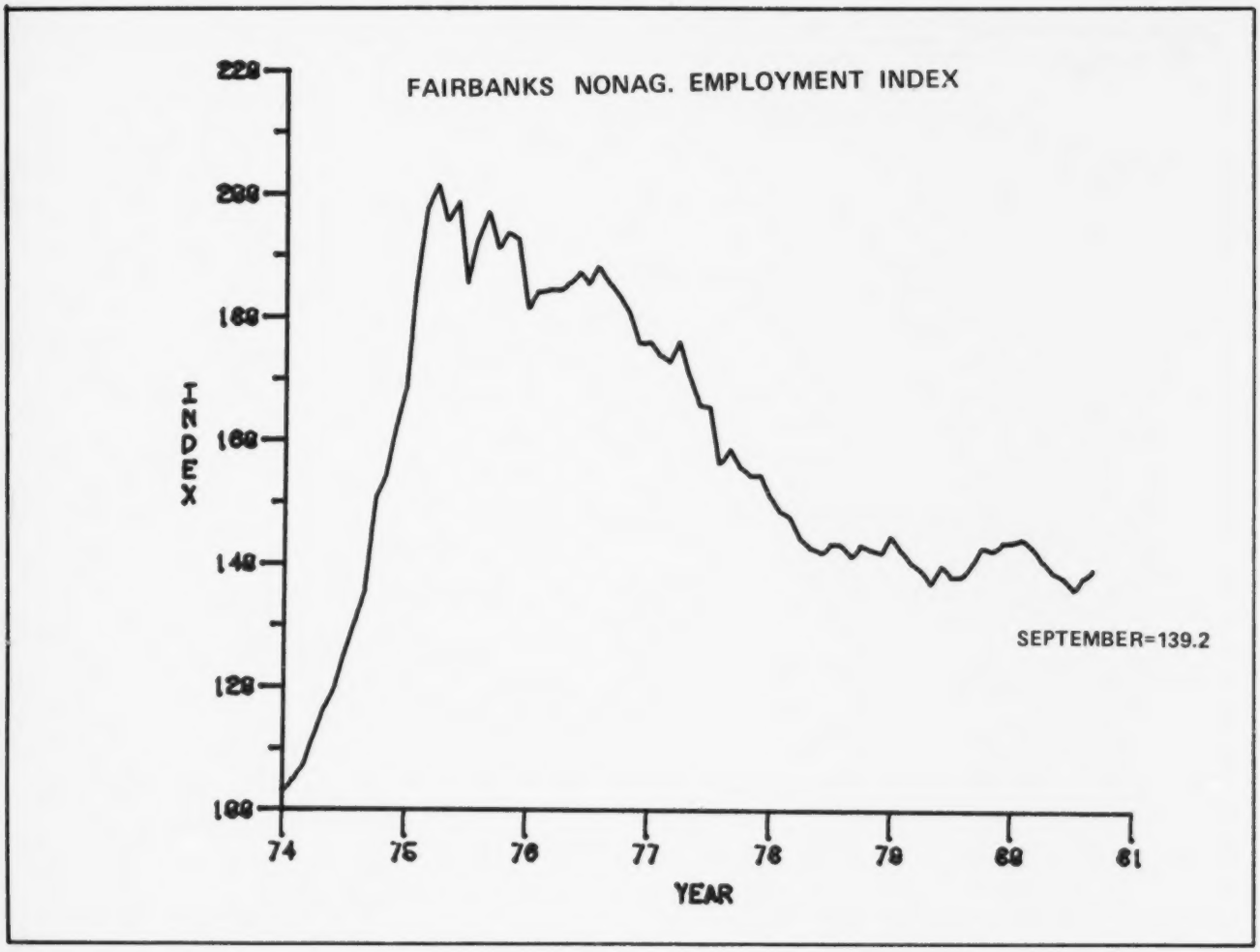

to increase and the number of airline passengers also came in below last year's levels. Because of the extra distance to Fairbanks, it could become harder for the Interior to attract tourists as transportation costs continue to increase-at least for the individual traveller. As mass transportation such as buses, ships, and trains become more popular, this may become less of a problem. For example, Southeast Alaska, because of its proximity to the lower 48 and also because it is accessible by ships (whose transportation costs are less of a factor than most other modes of transportation), has been able to continue to rapidly increase its tourist traffic.

Most other industries remained largely stable over the month, with the exception of government. Government absorbed the largest gain in employment in September by adding 250 workers. Federal, state and local government lost employment, but education more than made up for these losses. Education is one of the few "industries" which wields a counter-seasonal influence in Fairbanks and it is one of the major reasons why the month of September continues to experience growth, as teachers and support staff go back to work. In September the local schools, university, community college and vocational school employed approximately 2900 people or 13 percent of Fairbanks' entire wage and salary employ-

ment. Education not only plays a counter-seasonal role but has lent stability to Fairbanks' otherwise fluctuating economy.

INTERIOR'S LABOR FORCE IN SEPTEMBER

The Interior region's unemployment rate for September of 9.3 percent reflects less than a vibrant econom . The Upper Yukon division, which is north and east of Fairbanks, is the smallest division within the Interior. It has the second smallest labor force within the state and continues to register the state's highest unemployment rate of 21.2 percent. This division has had the highest rate in the post trans Alaska oi ipeline system (TAPS) construction ye f 1977 and 1978 and the second highest in 1979.

The Upper Yukon division consists mainly of small communities, with Fort Yukon being the largest. Little economic infrastructure exists within its boundaries and therefore are largely dependent on government employment, one time construction projects, and seasonal employment activities which fluctuate from year to year. For example during the construction of TAPS, the Upper Yukon division employment swelled more than any other division relative to its size, hitting a high of 2500 in 1974 and immediately dropping off to 892 the next year. Since then it has remained at the 340-380 level.

In addition most of the communities within the Upper Yukon region can only be reached by air or water during the summer season, which has the effect of limiting employment opportunities which might exist in other parts of the Interior. Similiar economic circumstances exist for a large number of bush divisions within the state. Some economic activities which take place in many of these areas are not reflected in employment figures. Subsistence and various other cash-type activities also go unrecorded in employment statistics. One of the major activities largely unaccounted for is the commercial fish harvest which takes place in the Interior.

Though the entire fish harvest in the Interior may be smaller than one extremely good day's catch in Bristol Bay, it is a very important source of cash income and subsistance for many of Interior's inhabitants. According to Alaska Fish and Game figures, approximately 681 families are involved in the subsistence fishery and 179 fish vessels (largely fish wheels and some gillnets) are involved in the commercial fishery. The commercial fishery in the Interior is a relatively new industry, getting off to a real start when chum prices began to climb in the late 1960's and the need for subsistance declined as snowmobiles began to replace dog sleds. The harvest is largely made up of kings, chums, roe and a small number of coho salmon.

This year's season (June through September) set some new records and, in other cases, came in below previous year's levels. It was a record year for kings, with 8632 fish being harvested compared with last year's harvest (which also was a record year) of 6322 fish. The summer and fall chum commerical fishery, on the other hand, was below last year's catch by approximately 38 percent. However, salmon roe harvested was above year-ago levels. Most of Interior's catch is headed for Japan, although a portion is also headed to Alaska's local market and the U.S. domestic market.

The prices received for the fish did drop below last years, but prices did not drop drastically as was the case in many other areas. Two reasons for this are: (1) the Bristol Bay harvest was not as large as expected (though it was a record year) and (2) a shortage of chums in the Japanese market began to appear, helping to keep prices up for the Upper Yukon salmon market.

Though no drastic changes in the volume of salmon harvested are expected in the commercial Upper Yukon fishery, some changes appear to be occuring which may have the effect of increasing employment opportunties in the Interior.

Presently there are approximately 20 processing and buying stations in this fishery. Some of the fish are flown out of bush Interior to be processed in Fairbanks, Anchorage and elsewhere and some are processed in the Interior. Recently fish processors in the Interior have been expanding their processing abilities.

Sterling Salmon Inc. of Tanana, which completed building its operation facility in 1979 went into full swing this year, processing fish from the Ruby-Rampart Yukon stretch. It processed fresh and frozen salmon and roe, all of which went to the U.S. domestic market. This company also processed a small amount of white fish, also destined for the domestic market. According to Peter Vrana, one of the owner partners in this operation, it employed from 15 -25 people in the plant, making it, one of the larger operations in the Upper Yukon. A fish processor in Galena also added an additional primary processing line. Most of these operations are small, often a family enterprise, but the numbers of fish-processed in this region is increasing. Though this is an entirely seasonal activity, it provides some cash income, which is often scarce, to many of the Interior's inhabitants. As local processing capabilities are increased, the cash income and employment to local residents will also increase.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/ 3/
BY PLACE OF WORK
INTERIOR

	P/	R/		CHANGES FROM:	
	9/80	8/80	9/79	8/80	9/79
NONAGRICULTURAL WAGE & SALARY.....	26500	26550	26050	-50	450
MINING.....	300	300	150	0	150
CONSTRUCTION.....	2450	2450	2250	0	200
MANUFACTURING.....	750	800	650	-50	100
TRANS. COMM. & UTILITIES.....	3550	3650	3750	-100	-200
TRADE.....	3950	4000	4100	-50	-150
FINANCE-INSURANCE & REAL ESTATE.	850	900	950	-50	-100
SERVICES & MISCELLANEOUS.....	5200	5250	5150	-50	50
GOVERNMENT 2/.....	9450	9200	9050	250	400

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3/ BENCHMARK DATE MARCH 1979.

P/ DENOTES PRELIMINARY ESTIMATES.

R/ DENOTES REVISED ESTIMATES.

NONAGRICULTURAL WAGE AND SALARY EMPLOYMENT 1/ 3/
BY PLACE OF WORK
SOUTHEAST ALASKA

	P/ 9/80	R/ 8/80	9/79	CHANGES FROM: 8/80	9/79
NONAGRICULTURAL WAGE & SALARY....	28400	29550	27800	-1150	600
CONSTRUCTION.....	1200	1250	1250	-50	-50
MANUFACTURING.....	4650	6050	5150	-1400	-500
TRANS. COMM. & UTILITIES.....	2850	2800	2700	50	150
TRADE.....	3900	4000	3850	-100	50
WHOLESALE TRADE.....	400	400	350	0	50
RETAIL TRADE.....	3500	3600	3500	-100	0
FINANCE-INSURANCE & REAL ESTATE	1200	1200	1250	0	-50
MINING, SERVICES & MISC.....	3500	3600	3300	-100	200
GOVERNMENT 2/.....	11100	10650	10300	450	800
FEDERAL.....	2350	2350	2400	0	-50
STATE.....	4750	4600	4550	150	200
LOCAL.....	4000	3700	3350	300	650

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SOUTHEAST ALASKA'S LABOR FORCE IN SEPTEMBER

by Debbie Berggren

During September nonagricultural wage and salary employment dropped 1,150 from August, or 4.0 percent. This decline can be attributed mainly to a reduction in activity in the manufacturing industry.

In the seafood processing sector employment declined by approximately 700, or 27 percent from August. This decline was seasonal. Because of stronger than normal salmon catches that continued into September, the employment level was approximately 200 above last year.

During September employment in the lumber and wood products sector, except furniture, experienced a 32 percent decrease from August. High buyer inventories, decreased lumber markets, and a large surplus of logs available to international buyers caused some Ketchikan area logging camps to shut down. According to Jim O'toole of the Ketchikan Job Service office, during the later half of August about 5 major logging camps were closed and by September 15 approximately 75 percent of the Ketchikan area camps were shut down. For the present time though, the Ketchikan Spruce Mill will continue to operate on a regular two-shift schedule. Logging activity in the Sitka, Petersburg, and Wrangell areas

LABOR FORCE BY REGION AND CENSUS DIVISION

	Labor Force			Unemployment			Rate			Employment		
	p/ 9/80	r/ 3/80	9/79	p/ 9/80	r/ 3/80	9/79	p/ 9/80	r/ 3/80	9/79	p/ 9/80	r/ 8/80	9/79
ALASKA STATEWIDE.....	187814	193513	188097	14457	15421	12494	7.7	7.8	6.6	173357	183092	175603
ANCHORAGE-MATSU REGION....	89284	91721	92193	6305	6638	5525	7.1	7.2	6.0	82979	85033	86668
ANCHORAGE.....	81870	83970	84687	5252	5409	4668	6.4	6.4	5.5	76618	78561	80019
MATANUSKA-SUSITNA.....	7414	7751	7591	1053	1229	858	14.2	15.9	11.4	6361	6522	6643
GULF COAST REGION ...	23134	27233	22716	2153	2245	2080	9.3	8.2	9.2	20981	24988	20636
CORDOVA.....	1303	1504	1246	115	90	78	8.8	6.0	6.3	1188	1414	1168
KENAI.....	12343	14551	12100	1308	1409	1247	10.6	9.7	10.3	11035	13142	10853
KODIAK.....	5165	5971	5096	415	313	424	8.0	5.2	8.3	4750	5658	4672
SEWARD.....	1604	1991	1632	70	164	123	4.4	8.2	7.5	1534	1827	1509
VALDEZ.....	2719	3216	2642	245	269	208	9.0	8.4	7.9	2474	2947	2434
INTERIOR REGION.....	25561	26213	25132	2382	2624	2033	9.3	10.0	8.1	23179	23589	23099
FAIRBANKS.....	20889	21787	20525	1831	1991	1633	8.8	9.3	7.9	19058	19395	18992
SOUTHEAST FAIRBANKS.....	2016	2053	1951	195	201	147	9.7	9.8	7.5	1820	1852	1814
UPPER YUKON.....	523	543	478	111	124	67	21.2	22.8	14.0	412	419	411
YUKON-KOYUKUK.....	2133	2230	2058	244	308	186	11.4	13.8	9.0	1889	1922	1882
NORTHERN REGION.....	9994	8935	8113	655	770	532	7.3	8.6	6.6	8339	8216	7581
BARROW-NORTH SLOPE.....	3467	3444	3195	140	165	170	4.0	4.8	5.3	3327	3279	3025
KOBUK.....	2348	2389	2093	223	295	166	9.5	12.3	7.9	2125	2094	1932
NOME.....	3179	3153	2820	293	310	196	9.2	9.8	7.0	2886	2843	2624
SOUTHEAST REGION.....	29962	31814	30301	2032	2113	1639	6.9	6.6	5.4	27830	29701	28662
ANGOON.....	345	359	350	37	41	34	10.7	11.1	9.7	308	328	316
HAINES.....	910	933	841	141	114	51	15.5	12.2	6.1	769	819	790
JUNEAU.....	10541	11293	10307	549	547	534	6.1	5.7	4.9	9992	10546	10273
KETCHIKAN.....	6928	7323	7017	470	444	378	6.8	6.1	5.4	6458	6879	6639
OUTER KETCHIKAN.....	1137	1176	1127	112	84	73	9.9	7.1	6.5	1025	1092	1054
PRINCE OF WALES.....	1431	1518	1468	98	98	98	6.8	6.5	6.7	1333	1420	1370
SITKA.....	3919	4182	4020	229	251	226	5.8	6.0	5.6	3690	3931	3794
SKAGWAY.....	1557	1722	1553	122	193	88	7.8	11.2	5.6	1435	1529	1475
WRANGELL-PETERSBURG.....	3094	3293	3103	224	241	157	7.2	7.3	5.1	2370	3057	2951
SOUTHWEST REGION.....	10379	12546	9547	979	1031	684	9.1	8.2	7.1	10000	11515	8953
ALEUTIAN ISLANDS.....	2761	3163	2477	129	133	118	4.7	4.2	4.8	2632	3030	2359
BETHEL.....	3685	4256	3185	396	469	238	10.7	11.0	7.5	3289	3783	2948
BRISTOL BAY BOROUGH.....	436	557	436	25	27	23	5.1	4.8	5.3	451	530	413
BRISTOL BAY.....	1353	1552	1228	80	75	78	5.9	4.8	6.4	1233	1477	1150
KUSKOKWIM.....	985	1178	903	98	155	107	9.9	13.2	11.8	888	1023	795
WADE HAMPTON.....	1593	1840	1417	151	173	120	9.4	9.4	8.5	1447	1657	1297

p/=Preliminary r/=Revised 1979 Benchmark

Federal guidelines require the use of unrounded labor force data, adjusted to be consistent with the Current Population Survey (CPS) in formulas used to allocate federal funds. Comparisons between different time periods are not as meaningful as other time series published by the Alaska Department of Labor; because Alaska's CPS sample size is inadequate to accurately indicate monthly changes in level. The sampling errors are random in nature; meaning that the unemployment rates, in any given month, are as likely to be high as frequently as they are low. The official definitions of unemployment, currently in place, exclude anyone who has made no attempt to find work in the four week period up to and including the week that includes the twelfth of each month. Most economists feel that Alaska's bush localities have proportionately more of these discouraged workers.

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has not been affected by the poor market.

On September 13, nearly 3 million board feet of spruce and hemlock were shipped to Japan from Klawock aboard the M/V Young Seagull. The logs, cut from Klawock and Craig village lands as well as regional corporation holdings, were rafted out to the 476 foot vessel for loading. A total of 43 area residents received employment from the sale, 16 as loggers and 27 as longshoremen.

Both state and local governments experienced an increase in employment over August. These increases can be attributed to the start of the new school year. Federal government experienced no change over August.

HOURS AND EARNINGS in AUGUST

by Jan Blair

Comparing the August average hourly earnings with the previous month's average, we find a slight increase in the lumber manufacturing industry, and 3 percent in each of the mining, construction, and finance, insurance and real estate industries. A decrease of 4 percent ($.32) in manufacturing is attributed to a 7 percent ($.51) drop in the food manufacturing sector of this major industry. The transportation, communication and utilities industry shows a 5 percent ($.65) less hourly wage. A major industry that has remained fairly constant in its average hourly earnings from July to August is the trade industry, both retail and wholesale trade indicating no more than a 1 percent change either way.

The lumber manufacturing industry has indicated the least amount of change in hours and earnings on a monthly comparison. However, it comes back strongly on an annual comparison with a rise in earnings of 13 percent over last year which amounts to $1.72/hr. increase in spendable earnings, which is keeping these production workers well ahead of the annual inflation rate.

Although some industries in Alaska show workers averaging fewer weekly hours this year, it is not adversely affecting their earnings as compared to average hourly earnings for August 1979. All of these industries reflect an increase which averages 9.7 percent or $1.11 per hour, the greatest wage increase appearing in the wholesale trade workers' earnings. Seasonal influences are a factor determining an overall 3 percent (1.6) in average weekly hours over July figures, but it is still less than the 6 percent increase the previous month. This rise is due to the food processing industry increasing its average weekly hours by 5 percent (2.6) to accommodate the demands of the fishing industry, the construction industry up by 8 percent (1.1) and other industries requiring workers to put in more hours. Lumber and retail trade are the only areas that have shown a decrease, though slight, as they begin to wind down at the end of the summer season.

Compared to August 1979 figures, some interesting changes have occurred for these Alaskan industries. Actual weekly hours have decreased for workers in the mining, lumber and trade sectors, but increased for the construction, manufacturing, and transportation, communication and utilities workers. This overall 3.7 percent (1.6) increase over 1979 is caused mainly by the food manufacturing industry, as the other increases in average weekly hours are slight. The trend for August 1980 seems to be higher earnings and longer hours, enabling the production worker in Alaska to maintain a slight advantage over inflation.

ALASKA
HOURS AND EARNINGS
FOR
SELECTED INDUSTRIES 1/ 2/

	AVERAGE HOURLY EARNINGS			AVERAGE WEEKLY HOURS			AVERAGE WEEKLY EARNINGS		
	p/ 8/80	r/ 7/80	8/79	p/ 8/80	r/ 7/80	8/79	p/ 8/80	r/ 7/80	8/79
MINING	18.31	17.80	16.66	50.9	49.8	51.7	931.98	886.44	861.32
CONTRACT CONSTRUCTION	21.19	20.13	18.95	46.4	42.8	44.7	983.22	861.56	847.06
MANUFACTURING	8.90	9.22	8.23	52.3	51.4	45.7	465.47	473.91	378.40
Food & Kindred Products	7.20	7.71	6.33	57.3	54.7	47.1	412.56	421.74	298.14
Lumber & Paper Products	14.64	14.61	12.92	41.6	41.8	43.4	609.02	610.70	560.73
TRANSPORTATION,COMM. & UTILITIES	12.73	13.38	12.64	38.5	36.8	37.6	490.11	492.38	475.26
TRADE	9.16	9.03	8.22	35.0	34.8	35.4	320.60	315.98	290.99
Wholesale Trade	11.35	11.38	9.60	39.6	38.2	39.1	449.46	434.72	375.36
Retail Trade	8.22	8.16	7.66	33.3	33.6	34.2	273.73	274.18	261.97
FINANCE,INSURANCE & REAL ESTATE	--	--	--	--	--	--	287.02	278.40	245.03

1/ Prepared in cooperation with the Bureau of Labor Statistics US Department of Labor

2/ excludes eating and drinking establishments

AVERAGE HOURS AND EARNINGS SERIES: Averages are based on data for full and part time production workers (manufacturing) and nonsupervisory workers (nonmanufacturing) and are for gross earnings and hours paid, including overtime pay and hours.

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